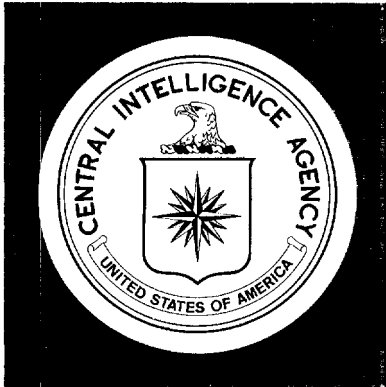


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USSR - ARAB STATES: Moscow will probably have to pay considerably higher prices for Arab oil and may scale down the amount it had planned to buy. Soviet purchases would probably be on a barter basis as in the past.

Earlier this month Iraq reportedly stopped shipping crude oil purchased by the Soviets, pending settlement of a price dispute. Baghdad is demanding that Moscow pay the same price now being asked of Western customers--about \$17 per barrel. As a result, Soviet plans to obtain 400,000 barrels per day of Iraqi oil during 1974--three times the estimated 1973 level--may be in jeopardy. The USSR had been obtaining oil at relatively low prices under barter arrangements.

Moscow is also facing price hikes from other Arab oil producers. Soviet purchases of crude from Libya apparently halted late last year when Tripoli notified Moscow that it would not load Soviet tankers unless Moscow paid higher prices. Syria has refused to export to Hungary the oil remaining under a 1973 contract calling for a price of \$5.50 per barrel. Damascus is offering to deliver crude oil this year for \$18 per barrel, but Budapest is waiting for the USSR and Bulgaria to conclude price agreements with Syria.

Little of the oil purchased abroad by the USSR is for its own use since it is self-sufficient in crude oil; most of the oil it purchases is sent to Eastern Europe. If Arab oil deliveries to the USSR were substantially reduced, Moscow would probably continue to provide most of Eastern Europe's needs at the expense of exports to the West. Even if sales to Western Europe decline, however, Moscow's hard currency earnings would rise if sales were made at the current high prices.

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USSR: [REDACTED]

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[REDACTED] indicates the USSR has produced more heavy transport aircraft than previously estimated. [REDACTED]

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The Soviets appear to be dissatisfied with the supply capabilities of the AN-22, however, and may not build the 100 initially indicated by Soviet press releases. [REDACTED] does not have the long-range transport capabilities of the US C-5A. The C-5A can

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BELGIUM: King Baudouin dissolved the Belgian Parliament yesterday following the failure of Leo Tindemans, leader of the Flemish wing of the Social Christian Party, to form a new coalition. The Socialists, Belgium's second largest party, refused to cooperate with Tindemans who then tried to form a transitional government composed of his own Social Christians, the Liberals, and three minor ethnic parties, but he could not overcome opposition by the French-speaking faction of his own party.

New elections will be held on March 10 and will probably benefit the Socialists. They are hopeful of winning enough additional seats in Parliament to allow them to form a two-party coalition with the Social Christians. The Socialists will doubtless try to capitalize on their championship of an ill-fated joint Belgium-Iranian refinery venture that was intended to bring economic revival to the coal and steel area of eastern Wallonia. By appealing to Wallonian dissatisfaction with the pace of industrial expansion, the Socialists hope to strengthen their position in the government, while laying the groundwork for state intervention in the energy sector.

[REDACTED] Belgian positions on NATO and the EC are unlikely to be affected by election results. In the meantime, Leburton's caretaker government will send Minister of Foreign Affairs Van Elsanle to the Washington energy conference as planned. [REDACTED]

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ICELAND: Foreign Minister Agustsson outlined a proposal for a modified NATO-base agreement, during a televised panel discussion on January 25. Agustsson proposed sweeping modifications in the base agreement, which he admitted represented only a "basis" for further negotiations with the US. Comments by other Icelandic leaders suggest that the groundwork for a compromise by the government parties on an eventual agreement has been laid.

Agustsson's Progressive Party, the mainstay of the three-party coalition, approved four main points in the proposal:

- the US defense force should leave Iceland in stages;
- US military aircraft would be allowed landing rights at Keflavik;
- ground-support personnel and radar installations would remain; and
- a security force to guard the base would be retained.

The other two partners in the government--the Liberal Left Organization and the Communist People's Alliance Party--are studying Agustsson's proposal.

The Foreign Minister cited his party's desire for Iceland to remain in NATO as the reason for proposing to allow the US to retain some of the facilities at the base. He interpreted his proposal as fulfilling Iceland's obligations in that regard.

Spokesmen of the other parties generally hedged their comments regarding Agustsson's proposal, but only Communist Party chairman Arnalds said he would reject any plan that did not call for total withdrawal of US forces. Nevertheless, Arnalds said he realized that everything at the base could not be "cleaned out" at once and interpreted the proposal to mean that all forces would be removed eventually.

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A recent editorial in the conservative newspaper suggested that the Progressives were considering a troop reduction of about 2,000 men, which would leave the base with about 1,300. The same editorial, however, speculated that the Communists were unlikely to allow more than 600 to remain. Both figures are far below the personnel strength envisioned by US negotiators.

When questioned about the timing of a final decision on the proposal, Agustsson said only that he hoped it would be soon. Communists and other leftists in the government are probably undecided about their next move and may elect to engage in protracted maneuvering or reject the proposal and bolt the government. At present, however, all Icelandic parties are "studying" the proposal.

IRAN-UK: Iran has ordered additional Rapier missiles and associated guidance equipment valued at \$143 million from London. The order reportedly calls for both optical- and radar-controlled versions of the Rapier, and includes 34 Blind Fire radars.

An earlier accord, signed in 1970, called for the construction of SAM sites and the delivery of 1,400 operational and 225 training missiles to begin in 1973; it was valued at \$112 million.

The British-built Rapier is a lightweight, highly mobile surface-to-air missile intended for use against high-speed, low-altitude targets. With the Blind Fire radar, the Rapier has an all-weather capability. This would greatly improve Iran's potential response against nighttime, low-visibility attacks.

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BULGARIA: On January 26, Kaiser Industries and the Bulgarian Ministry of Foreign Trade concluded a memorandum of understanding--which has no legal standing--on industrial and economic cooperation. The memorandum calls for Kaiser studies on a number of high-priority projects, including a 12-million-ton steel complex, a large cement plant, reconstruction of port facilities, and possibly an aluminum combine. Kaiser estimates the potential value of the projects at \$5-\$20 billion over a 20-year period. The company will seek financing for the projects and is willing to be repaid largely in products. Only three days before, Kaiser signed a similar agreement with Moscow.

BOLIVIA: President Banzer has ordered troops to break up roadblocks and clear angry farmworkers from the roads near Cochabamba, but the army still hopes to keep violence to a minimum. The farmworkers yesterday seized a general sent by the government to negotiate with them.

The government seems uncertain just whom to blame for instigating the peasant protests. Banzer has in the past fabricated conspiracies to justify action against his opponents, but there may be some truth in his charges this time. Each of the groups ostensibly supporting the regime--the military, the rightist Socialist Falange, and the National Revolutionary Movement--is split internally, and all three are concerned over the country's worsening economic situation. Middle-ranking military officers contend that the government is unwilling or unable to resolve the problem, and many of them sympathize with the farmworkers. The order to break up the roadblocks could intensify the military's dissatisfaction with Banzer.

Banzer's assertion that there is an international conspiracy against his government is far-fetched. His active "foreign enemies" probably are confined to Bolivian exiles residing in neighboring countries.

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FOR THE RECORD*

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USSR: The Soviets yesterday brought back to earth an unmanned Soyuz spacecraft, in orbit since November 30. The 60-day flight was probably an endurance test of the Soyuz capsule in preparation for longer manned missions with a Salyut space station. The longest flight of a single Soviet spacecraft with men aboard was the 18-day Soyuz 9 mission in June 1970. Soyuz 11, launched in June 1971, remained in orbit longer, nearly 24 days, but the spacecraft spent most of that time docked with the Salyut 1 space station. The three Soyuz 11 cosmonauts perished when their spacecraft depressurized during deorbit. [REDACTED]

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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